(Formerly Crescent Resources Corp.)

Annual Report

For the year ended

December 31, 2012

(Formerly Crescent Resources Corp.)

Management Discussion and Analysis

For the year ended

December 31, 2012

Effective Date

The following discussion is management's assessment and analysis of the results of operations and financial conditions of Coventry Resources Inc. (formerly Crescent Resources Corp.) (the "Company) and should be read in conjunction with the accompanying audited consolidated financial statements and related notes thereto for the year ended December 31, 2012 and 2011 (the "Financial Report").

All dollar amounts are expressed in Canadian dollars in the Financial Report and MD&A unless otherwise indicated. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The effective date of this MD&A is March 21, 2013.

Overview

Description of the Business

The Company was incorporated under the laws of the Province of Ontario and continued under the laws of British Columbia.

The Company completed a merger (the "Merger") with Coventry Resources Limited ("Coventry") on January 8, 2013. The Company changed its name to Coventry Resources Inc. The common shares of the Company commenced trading on the TSX Venture Exchange ("TSX-V") under the symbol "CYY" at the opening of trading on January 9, 2013, at which time the common shares of Crescent Resources Corp. trading under the symbol "CRC" were delisted. Chess Depositary Interests ("CDI's") of the Company commenced trading on the Australian Securities Exchange ("ASX") on January 9, 2013 under the symbol "CYY". The Merger constituted a "reverse-take-over" as the shareholders of Coventry took control of the Company.

The Company is a reporting issuer in British Columbia, Alberta and Ontario.

Prior to completion of the Merger, the Company's principal property was the Uncle Sam gold project which is located 75 kilometers southeast of the city of Fairbanks, Alaska. The project is an intrusion related gold target hosted in a similar age of intrusive rocks to those which host the Pogo Gold Mine approximately 60 kilometers to the east of Uncle Sam.

Operations in the year ended December 31, 2012 and to the date of this MD&A

Significant accomplishments in the year ended December 31, 2012 and to the date of this MD&A including the following:

On September 7, 2012, the Company entered into a merger implementation deed (the "Deed") with Coventry Resources Limited, pursuant to which the two companies would combine by way of a share exchange to a create a new gold exploration and development company focused on properties in Ontario, Canada. As a result of the Merger, the shareholders of Coventry would acquire the majority of the issued and outstanding shares of the Company.

On October 11, 2012, the Company raised $750,000 by way of a non-brokered private placement of subscription receipts (the "Subscription Receipts"), with the proceeds held in escrow by the Company pending the completion of the Merger.

On November 20, 2012, the Company issued the final tranche of 2,600,000 pre-Consolidation shares to complete the acquisition of the Uncle Sam property, subject only to the underlying net smelter return royalty.

On December 13, 2012, the shareholders of the Company approved the terms of the Deed, the change of name, a share consolidation and election of a new board of directors at closing of the Merger.

On January 8, 2013, upon receipt of all final regulatory approvals in Canada and Australia, and immediately prior to the completion of the Merger, the Company completed a consolidation of its common shares on a 5:1 basis, in which five old Company shares were exchanged for one new Company share (the "Consolidation").

Concurrent with the closing of the Merger, the 15,186,000 Subscription Receipts issued on October 11, 2012, were converted into 3,037,200 post-Consolidation shares and the restricted cash of $750,000 and accrued interest was released to the Company from escrow.

On closing the Merger, pursuant to the Deed, the Company issued 60,375,791 shares to Coventry shareholders on the basis of 0.2513 "post-Consolidation" shares of the Company for each share of Coventry held resulting in Coventry becoming a wholly-owned subsidiary of the Company and Coventry shareholders owning approximately 87.2% of the issued and outstanding shares of the Company. Coventry optionholders received options to purchase post-Consolidation shares of the Company. Legally, Crescent is the parent company of Coventry; however, because the former Coventry shareholders gained control of Crescent, for accounting purposes Coventry is the accounting Acquirer and Crescent is the accounting Acquiree. The consolidated financial statements of the combined entity will represent the continuation of Coventry and the Merger is accounted for as a share-based payment by which Coventry acquired the net assets and listing status of Crescent. The year-end of the Company going forward will be June 30.

Following the completion of the Merger, the new directors and officers of the Company are as follows:

Michael Naylor	President, Chief Executive Officer and Director
Eric Edwards	Non-Executive Chairman and Director
Don Halliday	Vice President, Investor Relations and Director
Anthony Goddard	Vice President, Exploration and Director
Steven Chadwick	Vice President, Development and Director
Michael Haynes	Non-Executive Director
Robert Boaz	Non-Executive Director – effective January 22, 2013
Doris Meyer	Chief Financial Officer and Assistant Corporate Secretary
Nick Day	Corporate Secretary

On January 15, 2013, the Company announced the results of a preliminary economic assessment (the "PEA") on the Cameron Gold Camp Project. See "Details of the Cameron Gold Camp Project".

On January 15, 2013, the Company completed the acquisition of 100% of the West Cedartree Gold Project, Ontario, by the issue of 1,935,010 common shares and a final cash payment of $400,000.

On February 22, 2013, the Company completed a public offering by the issue of 18,750,000 units (the "Units") at a price of C$0.32 per Unit (A$0.305 per Unit) for gross proceeds of $6,000,000. In Canada, each Unit consists of 0.3 of one common share of the Company (each whole common share a "Common Share"), plus one subscription receipt of the Company ("Subscription Receipt"). In Australia, each Unit consists of 0.3 of one fully paid CDI, plus one Subscription Receipt of the Company. On closing 5,624,984 common shares and 13,125,000 Subscription Receipts were issued. Each whole Subscription Receipt will automatically be converted, without payment of any additional consideration, into 0.7 of one Common Share of the Company and 0.5 of one common share purchase warrant (each whole common share purchase warrant a "Warrant") in Canada, or 0.7 of one CDI of the Company and 0.5 of one Warrant in Australia, subject to the approval of the Company's shareholders at a meeting expected to be held on April 30, 2013 (the "Release Condition"). Each whole Warrant is exercisable into either one Common Share of the

Company in Canada, or one CDI of the Company in Australia, for a period of 18 months at an exercise price of C$0.45 per Common Share (A$0.43 per CDI).

Seventy percent of the gross proceeds of the offering (C$4.2 million, or A$4.0 million), being the portion of the gross proceeds of the Units that is allocated to the Subscription Receipts, have been deposited into escrow, to be released upon satisfaction of the Release Condition. In the event that the Release Condition is not satisfied by June 22, 2013, the escrowed proceeds will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be automatically cancelled.

Business of the Company

The Company carries on the business of mineral exploration and development. Its principal asset and focus is its 100% interest in the Cameron Gold Camp Project, a gold exploration project located approximately 80 kilometres southeast of the City of Kenora and 80 kilometres north-northwest of the City of Fort Frances, in the southern-most part of western Ontario.

The Company also owns (i) a 100% interest in the Uncle Sam Project, a gold exploration project in Alaska (the "**Uncle Sam Project**"); (ii) mineral rights and options to acquire mineral rights covering 132.7 square kilometres in north-western Ontario (the "**Rainy River Project**"); and (iii) a 51% interest in the Ardeen Gold Project in Ontario (the "**Ardeen Gold Project**").

Details of the Cameron Gold Camp Project

A technical report for the Cameron Gold Camp Project entitled "Revised Technical Report on the Cameron Gold Camp Project, Western Ontario, Canada" dated January 2013 (the "**Technical Report**") prepared by Peter Ball, Stephen Mlot, David Morgan and David Gordon, each of whom is a "qualified person" and "independent" as such terms are defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") has been filed with the applicable securities regulatory authorities and is available for review under the Company's profile at www.sedar.com. The following summary should be read in conjunction with and is qualified in its entirety by the information presented in the Technical Report.

The Technical Report is based on the following mineral resource estimates:

Cut-off grade (g/t gold)	Category	Tonnes	Grade (g/t gold)	Ounces of gold
1.0	Measured	2,472,000	2.68	213,000
	Indicated	4,724,000	2.33	354,000
	Measured and Indicated	7,196,000	2.45	567,000
	Inferred	12,226,000	2.11	829,000

Coventry's resource estimate is effective as at March 30, 2012.

Notes:
(1) Mineral resources are not mineral reserves and do not have demonstrated economic viability.
(2) All figures are rounded to reflect the relative accuracy of the estimate.

A constraining pit model was not used for estimating the open pit mineral resources on the basis that it is a global resource and the cut-off (1.0 g/t Au) could reasonably be expected to be that grade for open pit extraction.

The preliminary economic study provides a solid base from which to further develop the potential of a rapidly evolving, district-wide production camp centered around Cameron, and represents a major milestone for the Company. Along with plans for continued exploration at the numerous satellite prospects in the area, the economics, favorable location and infrastructure at Cameron make it a compelling development project moving forward. The economics determined in the Technical Report provide a strong incentive to undertake further geotechnical, metallurgical and engineering studies and commence permitting with the objective to complete a feasibility study by the end of 2013.

In addition to the currently defined project at Cameron, the Company has a number of high grade gold prospects and exploration targets within close proximity (10 km) that warrant further exploration, including the Dogpaw Gold Prospect ("Dogpaw") and the McLennan Gold Prospect ("McLennan") where a number of high grade historical drill intercepts have been recorded. The Company has commenced a Mineral Resource Estimate at Dogpaw, which is due for completion by the end of the April.

The Uncle Sam Project

The Uncle Sam Project is located 75 kilometres southeast of the City of Fairbanks. The Uncle Sam Project is an intrusion related gold target hosted in a similar age of intrusive rocks to those which host the Pogo Gold Mine approximately 60 kilometres to the east of the Uncle Sam Project. A comprehensive exploration data package compiled by previous operators of the Uncle Sam Project indicates that there are extensive anomalous areas defined by surface gold geochemistry and numerous significant drill intercepts.

The Company is not currently conducting any exploration at the Uncle Sam Project and, in order to focus on the Cameron Gold Camp Project, intends to seek a joint venture partner prior to resuming exploration.

Rainy River Project

The Rainy River Project is located in the western-most part of northern Ontario, immediately to the north of Canada's border with the United States and approximately 60 kilometres to the northwest of the City of Fort Frances, near a recently discovered gold deposit held by Rainy River Resources Ltd.

Access to the Rainy River Project is by a grid network of paved and unpaved all weather roads located through the region. High-voltage power is also available through the area.
The Rainy River Project area comprises sparsely populated undulating land that is a mix of farmland interspersed with marsh and swampland.

Since acquiring the Rainy River Project, Coventry has undertaken detailed interpretation of geophysical data, geological mapping, geochemical water sampling and has completed 46 backhoe dug pits and 181 Reverse Circulation drillholes (4,349 metres) for geochemical analyses as part of a first stage evaluation. This work has defined eight high-priority gold anomalies and a further three high-priority base metal anomalies. Follow-up overburden sampling of the highest priority targets commenced in January with results due by mid April. Subject to the results of the drilling campaign and available funds, the Company plans to conduct a diamond drilling program in the second half of 2013, to evaluate potential primary resources.

The Ardeen Gold Project

The Ardeen Gold Project is located approximately 110 kilometres west of the City of Thunder Bay, which is situated on the western edge of Lake Superior in northwestern Ontario. The Ardeen Gold Project is located approximately 15 kilometres south of Highway 11 which forms part of the Trans-Canada Highway system. The Ardeen Gold Project comprises 153 unpatented mining claims (4,540 hectares) and four patented mining claims (404.3 hectares). Access to the claims is by a gravel all-season main logging road. This road transects the central portion of the claim block and connects to numerous secondary logging roads which provide access to most parts of the Ardeen Gold Project. High-voltage power is available along the Trans-Canada Highway, approximately 15 kilometres to the north.

The Company plans to delineate a resource on the Ardeen Gold Project when funds permit but has otherwise suspended activities there in order to focus on the Cameron Gold Camp Project. Subject to the results of the resource delineation, the Company will ultimately either conduct further drilling or seek a joint venture partner.

Qualified Person

Tony Goddard is the Qualified Person of Coventry who approved the technical information in respect of Coventry's Cameron Gold Project contained herein.

Selected Annual Information

	December 31, 2012 $	December 31, 2011 $	December 31, 2010 $
Total revenues	**-**	-	-
Loss and comprehensive loss for the year	**1,016,631**	3,040,953	1,430,551
Basic and diluted loss per share	**(0.03)**	(0.12)	(0.14)
Total assets	**2,336,603**	2,204,460	258,642
Total long-term financial liabilities	**-**	-	-
Cash dividends declared per share	**-**	-	-

Results of Operations

Results of Operations for the year ended December 31, 2012 and 2011

The Company incurred a loss for the year ended December 31, 2012, of $1,016,632 (2011 - $3,040,953).

The more significant differences between the comparative periods were exploration costs and share-based compensation:

Exploration and evaluation expenditures: **$163,485** (2011: $2,302,524) decrease of $2,139,039.
Expenditures in the year ended December 31, 2012, represent camp maintenance and drill core storage at the Uncle Sam project. The 2011 comparative year's expenditures represented mobilization of equipment, drilling, and geology during the spring & summer drilling season completing the majority of the Company's expenditure requirement to earn a 100% interest in the Uncle Sam project.

Legal and audit fees: **$133,084** (2011: $83,302) increase of $49,782.
During the year ended December 31, 2012, the Company recorded legal fees associated with the Copami arbitration in Paraguay (see Financial Report) of $81,613. Audit fees in fiscal 2011 were $21,565 higher than what they were in fiscal 2012, primarily because of IFRS transition costs and the auditor review of the first quarter of 2011, contributing to the increase.

Share-based compensation: **$2,646** (2011: $441,407) decrease of $438,761.

The $2,646 was the final vesting portion of options granted in 2011. No stock options have been granted in 2012, whereas during the 2011 fiscal year, there were 1,250,000 options granted.

Transaction costs: **$436,587** (2011: $nil) increase of $436,587.
During the year ended December 31, 2012, the Company incurred legal fees and auditor review fees for the Merger of $436,587.

Summary of Quarterly Results

	Dec 31 2012 $	Sept 30 2012 $	June 30 2012 $	Mar 31 2012 $	Dec 31 2011 $	Sept 30 2011 $	June 30 2011 $	Mar 31 2011 $
Total revenues	-	-	-	-	-	-	-	-
Loss and comprehen -sive loss for period	(659,303)	(166,658)	(106,667)	(84,003)	(145,136)	(673,388)	(1,490,018)	(732,411)
Basic and diluted loss per share	(0.03)	(0.01)	(0.00)	(0.00)	(0.01)	(0.02)	(0.05)	(0.04)

The Company is an exploration stage company. At this time, any issues of seasonality or market fluctuations have no impact on the financial results of the Company. The Company capitalizes the acquisition costs of its exploration and evaluation assets. The Company expenses its exploration and evaluation expenditures and general and administration costs and these amounts are included in the loss for each quarter.

Fourth Quarter

The Company began the fourth quarter with $741,876. During the fourth quarter the Company expended $438,387 on operating activities and recovered $4,368 on exploration and evaluation assets, to end the quarter and the year with $307,857 cash.

Liquidity

The Company began the 2012 fiscal year with cash of $1,317,419. Cash expended on operations in the 2012 fiscal year, net of non-cash working capital changes was $862,465. Cash invested in exploration and evaluation assets was $147,097, and cash and accrued interest held as restricted cash was $751,468. The Company received $750,000 from subscription receipts and accrued interest of $1,468, leaving the Company with $307,857 unrestricted cash at December 31, 2012.

On February 22, 2013, the Company completed a public offering by the issue of 18,750,000 units (the "Units") at a price of C$0.32 per Unit (A$0.305 per Unit) for gross proceeds of $6,000,000. In Canada, each Unit consists of 0.3 of one common share of the Company (each whole common share a "Common Share"), plus one subscription receipt of the Company ("Subscription Receipt"). In Australia, each Unit consists of 0.3 of one fully paid CDI, plus one Subscription Receipt of the Company. On closing 5,624,984 common shares and 13,125,000 Subscription Receipts were issued. Each whole Subscription Receipt will automatically be converted, without payment of any additional consideration, into 0.7 of one Common Share of the Company and 0.5 of one common share purchase warrant (each whole common share purchase warrant a "Warrant") in Canada, or 0.7 of one CDI of the Company and 0.5 of one Warrant in Australia, subject to the approval of the Company's shareholders at a meeting expected to be held on April 30, 2013 (the "Release Condition"). Each whole Warrant is exercisable into either one Common Share of the

Company in Canada, or one CDI of the Company in Australia, for a period of 18 months at an exercise price of C$0.45 per Common Share (A$0.43 per CDI).

Seventy percent of the gross proceeds of the offering (C$4.2 million, or A$4.0 million), being the portion of the gross proceeds of the Units that is allocated to the Subscription Receipts, have been deposited into escrow, to be released upon satisfaction of the Release Condition. In the event that the Release Condition is not satisfied by June 22, 2013, the escrowed proceeds will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be automatically cancelled.

Capital Resources

The Company's expenditure commitments on the Company's exploration and evaluation assets are primarily at the Company's discretion.

As at the date of this MD&A, other than as described herein and in the Financial Statements, the Company has no other arrangements for sources of financing.

Transactions with Related Parties

a) The Company's related parties consist of companies with directors and officers in common and companies owned in whole or in part by executive officers and directors as follows:

Name	**Nature of transactions**
524124 BC Ltd.	Consulting as CEO, and holder of promissory notes
Golden Oak Corporate Services Limited	Consulting as CFO, corporate compliance, and financial reporting services
Sunridge Gold Corp.	Office rent and expenses

The Company incurred the following fees and expenses in the normal course of operations in connection with individuals and companies owned by key management and directors.

	Year ended December 31,	
	2012	2011
Consulting fees	**$ 187,103**	$ 192,190
Interest expense on promissory notes	**-**	2,011
Shared office costs	**27,450**	6,908
Total	**$ 214,553**	$ 201,109

Amounts owing to related parties are $7,105 as at December 31, 2012.

b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel, which include the amounts disclosed above, during the years ended December 31, 2012, and 2011 was as follows:

	Year ended December 31,	
	2012	2011
Consulting fees	**$ 187,103**	$ 192,190
Directors fees	**9,000**	9,000

Share-based compensation		**-**		322,352
Total	**$**	**196,103**	$	523,542

Future Canadian Accounting Standards

Refer to the discussion of "New Standards, Interpretations and Amendments Not Yet Effective" in our Financial Report. The Company has not applied any of the new and revised IFRS detailed therein, all of which have been issued but are not yet effective at the date of this MD&A.

Financial Instruments and Related Risks

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: Financial assets at fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category		**December 31, 2012**		December 31, 2011
Cash	FVTPL	**$**	**307,857**	$	1,317,419
Restricted cash	FVTPL		**751,468**		-
Receivables	Loans and Receivables		**37,098**		17,309
Trade and other payables	Other liabilities		**(213,801)**		(43,141)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, restricted cash, receivables, and trade and other payables approximate their fair value due to their short-term nature.

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and balances receivable from the government. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs.

Liquidity Risk
Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next sixty days.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and short-term investments and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk: The Company has identified its functional currency as the Canadian dollar. Transactions are transacted in Canadian dollars, US dollars, and to a lesser extent, Australian dollars. The Company maintains US dollar bank accounts in Canada to support the cash needs of its US foreign operation. Management believes the foreign exchange risk related to currency conversions are minimal and therefore, does not hedge its foreign exchange risk.

    Based upon the net foreign currency exposures and assuming that all other variables remain constant, a 1% increase or decrease in the Canadian dollar against both the US dollar and Australian dollar would result in a nominal decrease or increase in the reported loss.

(c) Commodity Price Risk: While the value of the Company's mineral resource properties are related to the price of gold and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

    Historically, the price of gold has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

This MD&A may contain information about adjacent properties on which we have no right to explore or mine. We advise U.S. investors that the SEC's mining guidelines strictly prohibit information of this type in documents filed with the SEC. U.S. investors are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on our properties.

Additional Disclosure for Venture Issuers without Significant Revenue

The components of exploration and evaluation expenditures are described in Note 7 to the Financial Report.

Disclosure of Outstanding Share Data

The Company has unlimited authorized common shares and the issued and outstanding share capital at the date of this MD&A is:

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Incentive Stock Options and Quasi-Options
Balance December 31, 2012	**31,691,872**	**5,314,380**	**1,295,000**
Consolidation pursuant to RTO	(25,353,565)	(4,551,508)	(1,036,000)
Acquisition of Coventry Resources Limited	60,375,791	-	11,034,054
Issuance of shares pursuant conversion of subscription receipts	3,037,200	-	-
Issuance of shares pursuant to an agreement	400,000	-	-
Issuance of shares pursuant to an exploration and evaluation asset agreement	1,935,010	-	-
Expiry of incentive stock options	-	-	(5,000)
Expiry of quasi stock options	-	-	(2,764,293)
Issuance of shares pursuant to a short form Prospectus ofering	5,624,984	-	-
Balance the date of this MD&A	**77,711,292**	**1,062,872**	**8,523,761**

Risks

In addition to the risks noted above in the "Financial instruments and Related Risks" section, should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business.

The Company is subject to risks and challenges similar to other companies in a comparable stage of development. Mineral exploration is subject to a high degree of risk, which a combination of experience, knowledge, and careful evaluation may fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities require significant cash expenditures. Coventry will therefore require additional financing to carry on its business and such financing may not be available when it is needed.

Information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's Short Form Prospectus, dated February 15, 2013, in the section entitled "Risk Factors".

Other Information

Additional information relating to the Company, including the Short Form Prospectus, is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.coventryres.com.

(Formerly Crescent Resources Corp.)

Consolidated Financial Statements

December 31, 2012 and 2011

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Coventry Resources Inc.
(formerly Crescent Resources Corp.)

We have audited the accompanying consolidated financial statements of Coventry Resources Inc. (formerly Crescent Resources Corp.), which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Coventry Resources Inc. (formerly Crescent Resources Corp.) as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 21, 2013

COVENTRY RESOURCES INC. (FORMERLY CRESCENT RESOURCES CORP.)
Consolidated Statements of Financial Position
(stated in Canadian dollars)

	Note	**December 31, 2012**	December 31, 2011
ASSETS			
CURRENT ASSETS			
Cash	*5*	**$ 307,857**	$ 1,317,419
Restricted cash	*11 & 19*	**751,468**	-
Receivables	*6*	**37,098**	17,309
		1,096,423	1,334,728
NON-CURRENT ASSETS			
Exploration and evaluation assets	*7*	**1,238,757**	867,660
Equipment	*8*	**1,423**	2,072
		1,240,180	869,732
		$ 2,336,603	$ 2,204,460
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	*9*	**$ 213,801**	$ 43,141
Subscription receipts	*11 & 19*	**751,468**	-
		965,269	43,141
SHAREHOLDERS' EQUITY			
Share capital	*11*	**23,922,000**	23,698,000
Contributed surplus	*11*	**1,596,177**	1,593,531
Deficit		**(24,146,843)**	(23,130,212)
		1,371,334	2,161,319
		$ 2,336,603	$ 2,204,460

Nature of operations	*1*
Commitments	*17*
Contingent liability	*18*
Subsequent events	*19*

These consolidated financial statements were authorized for issue by the Board of Directors on March 21, 2013.

They are signed on the Company's behalf by:

"Don Halliday"
Don Halliday, Director

"Eric Edwards"
Eric Edwards, Director

The accompanying notes form an integral part of these consolidated financial statements

COVENTRY RESOURCES INC. *(FORMERLY CRESCENT RESOURCES CORP.)*
Consolidated Statements of Loss and Comprehensive Loss
(stated in Canadian dollars)

		Year ended December 31,	
	Note	**2012**	2011
General expenses			
Consulting fees		**$ 195,574**	$ 207,925
Depreciation		**649**	1,173
Directors fees		**9,000**	9,000
Exploration and evaluation expenditures	*7*	**163,485**	2,302,524
Foreign exchange		**(1,878)**	(62,672)
Interest expense	*10*	**-**	2,011
Legal and audit fees		**133,084**	83,302
Office and general		**9,648**	8,197
Regulatory and filing fees		**21,508**	24,277
Rent		**21,000**	-
Shareholder relations		**10,548**	23,163
Share-based compensation	*11*	**2,646**	441,407
Transaction costs	*19*	**436,587**	-
Travel		**23,830**	12,301
		(1,025,681)	(3,052,608)
Interest income		**9,050**	11,655
Loss and comprehensive loss for the year		**$ (1,016,631)**	$ (3,040,953)
Basic and diluted loss per common share		**$ (0.03)**	$ (0.12)
Weighted average number of shares outstanding		**29,337,227**	25,040,366

The accompanying notes form an integral part of these consolidated financial statements

COVENTRY RESOURCES INC. *(FORMERLY CRESCENT RESOURCES CORP.)*

Consolidated Statements of Cash Flows

(stated in Canadian dollars)

		Year ended December 31,	
	Note	**2012**	2011
Cash provided from (used for)			
Operating activities			
Loss for the year		**$ (1,016,631)**	$ (3,040,953)
Adjustment for non-cash items:			
Depreciation		**649**	1,173
Interest expense accretion	*10*	**-**	1,857
Share-based compensation		**2,646**	441,407
Changes in non-cash working capital:			
Receivables		**(19,789)**	(2,549)
Advances and prepaid expenses		**-**	1,144
Trade and other payables		**170,660**	(79,767)
		(862,465)	(2,677,688)
Investing activities			
Restricted cash	*11 & 19*	**(751,468)**	-
Deferred transaction costs		**-**	-
Exploration and evaluation assets		**(147,097)**	(254,102)
Purchase of equipment		**-**	(2,033)
		(898,565)	(256,135)
Financing activities			
Shares issued		**-**	4,280,000
Subscription receipts	*11 & 19*	**751,468**	-
Promissory note		**-**	(100,000)
Share issue costs		**-**	(145,209)
		751,468	4,034,791
Change in cash		**(1,009,562)**	1,100,968
Cash, beginning of the year		**1,317,419**	216,451
Cash, end of the year		**$ 307,857**	$ 1,317,419

Supplemental disclosure with respect to cash flows – Note 15

COVENTRY RESOURCES INC. (FORMERLY CRESCENT RESOURCES CORP.)
Consolidated Statements of Changes in Equity
(stated in Canadian dollars)

	Number of Shares	Share Capital	Subscription receipts	Obligation to issue common shares	Contributed surplus	Deficit	Total Equity
Balance, December 31, 2010	10,708,590	$ 18,816,838	$ 220,000	$ 20,000	$ 1,054,413	$ (20,089,259)	$ 21,992
Share issues:							
Private placement	5,000,000	1,000,000	(220,000)	-	-	-	780,000
Private placement	10,000,000	3,500,000	-	-	-	-	3,500,000
Shares issued as loan bonus	100,000	20,000	-	(20,000)	-	-	-
Shares issued for exploration and evaluation assets	1,583,281	522,483	-	-	-	-	522,483
Shares issued for a finders' fee agreement	200,000	66,000	-	-	-	-	66,000
Shares issued for rounding	1	-	-	-	-	-	-
Share issue costs	-	(129,610)	-	-	-	-	(129,610)
Warrants issued as finders' fees	-	(97,711)	-	-	97,711	-	-
Share-based compensation	-	-	-	-	441,407	-	441,407
Loss for the year	-	-	-	-	-	(3,040,953)	(3,040,953)
Balance, December 31, 2011	**27,591,872**	**23,698,000**	**-**	**-**	**1,593,531**	**(23,130,212)**	**2,161,319**
Share issues:							
Shares issued for exploration and evaluation assets	4,100,000	224,000	-	-	-	-	224,000
Share-based compensation	-	-	-	-	2,646	-	2,646
Loss for the year	-	-	-	-	-	(1,016,631)	(1,016,631)
Balance, December 31, 2012	**31,691,872**	**$ 23,922,000**	**$ -**	**$ -**	**$ 1,596,177**	**$ (24,146,843)**	**$ 1,371,334**

1. Nature of Operations

Coventry Resources Inc. (formerly Crescent Resources Corp.) (the "Company") was incorporated under the laws of the Province of Ontario and continued under the laws of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V"). The corporate office of the Company is Suite 1490 – 1075 West Georgia Street, Vancouver, B.C., V6E 3C9.

On January 8, 2013, the Company and Coventry Resources Limited, an Australian company listed on the Australian Stock Exchange ("ASX"), completed a merger constituting a reverse take-over as the shareholders of Coventry took control of Crescent (as discussed in Note 19) and changed its name to Coventry Resources Inc.

As at December 31, 2012, the Company was engaged in the identification, acquisition, exploration and, if warranted, development of exploration and evaluation assets in the United States. The consolidated financial statements of the Company as at and for the year ended December 31, 2012, comprise the Company and its one subsidiary. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. Considering the transactions discussed in Note 19, management believes that the Company's cash on hand at December 31, 2012, is sufficient to finance exploration activities and operations through the next twelve months. The Company's ability to continue on a going concern basis beyond the next twelve months depends on its ability to successfully raise additional financing for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard 1 - *Presentation of Financial Statements* ("IAS 1") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on the IFRS issued and outstanding as at March 21, 2013, the date the Board of Directors approved these financial statements for issue.

b) Functional and presentation currency

The presentation currency of the Company is the Canadian dollar.

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") and has been determined for each entity within the Company. The functional currency of Coventry Resources Inc., the parent company, is the Canadian dollar and the functional currency of the Company's subsidiary, Crescent Resources USA Inc., is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

2. Basis of Preparation *(continued)*

c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>Estimated useful life of equipment</u>

The estimated useful life of equipment which is included in the consolidated statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.

<u>Share-based compensation</u>

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

<u>Recovery of deferred tax assets</u>

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

2. Basis of Preparation *(continued)*

c) Use of estimates and judgments *(continued)*

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). Significant changes to those underlying factors could cause a change to the functional currency.

Determination of the nature of an acquisition

IFRS requires that a determination is made as to whether an acquisition is a business combination by applying the definitions contained in IFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

3. Significant Accounting Policies

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its only subsidiary. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
Crescent Resources USA Inc.	State of Wyoming, USA with a Certificate of Authority to operate in the State of Alaska	100%	Exploration activities in the United States

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year. The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar, as this is the principal currency of the economic environment in which they operate.

3. Significant Accounting Policies *(continued)*

Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

Depreciation is provided at rates calculated to amortize the costs of equipment less its estimated residual value, using the straight-line method over five years commencing from the year the assets are put into service.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to profit or loss as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to profit or loss during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amounts may exceed the recoverable amounts.

Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the decommissioning of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning liability is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized decommissioning liabilities are amortized over the life of the related assets. As the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the profit or loss statements. The Company had no decommissioning liabilities for the years presented.

3. Significant Accounting Policies *(continued)*

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Financial instruments – classification and fair value

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred. Assets in this category include cash and restricted cash.

(ii) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include receivables.

3. Significant Accounting Policies *(continued)*

Financial instruments – classification and fair value *(continued)*

(ii) Loans and receivable *(continued)*

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of a trade or other receivable is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(iv) De-recognition of financial assets

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

3. Significant Accounting Policies *(continued)*

Financial liabilities and equity – classification and fair value

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified trade and other payables as other financial liabilities.

Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted earnings per share is the same as basic loss per share, as the effect of outstanding share options and share purchase warrants on loss per share would be anti-dilutive.

Share-based compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. In situations where equity instruments are issued to individuals who are not considered to be employees and the fair value of the services received cannot be reliably measured, it will be measured at the fair value of the share-based compensation. Otherwise, the share-based compensation is measured at the fair value of the services received. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

3. Significant Accounting Policies *(continued)*

Accumulated other comprehensive income

Accumulated other comprehensive income consists of the net income and other comprehensive income ("OCI"). The Company financial statements include a Statement of Loss and Comprehensive Loss, which includes the components of comprehensive income.

For the Company, OCI is comprised of unrealized gains or losses on available for sale financial assets, and foreign currency translation differences for foreign operations, both of which are presented within the shareholders' equity section of the statement of financial position.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Significant Accounting Policies *(continued)*

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

(i) Effective for annual periods beginning on or after July 1, 2012

- Amendments to IAS 1 *Presentation of Financial Statements*

  To require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

(ii) Effective for annual periods beginning on or after January 1, 2013

- Amendments to IAS 27 and IAS 28 *Separate Financial Statements and Investments in Associates and Joint Ventures*

  Addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

- New standard IFRS 9 *Financial Instruments*

  Partial replacement of IAS 39 *Financial Instruments: Recognition and Measurement*

- New standard IFRS 10 *Consolidated Financial Statements*

  Provides a new single consolidation model that identifies control as the basis for consolidation for all types of entities, and replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*.

- New standard IFRS 11 *Joint Arrangements*

  Improves the accounting for joint arrangements by introducing a principle-based approach that requires a party to a joint arrangement to recognize its rights and obligations arising from the arrangement. Such a principle-based approach will provide users with greater clarity about an entity's involvement in its joint arrangements by increasing the verifiability, comparability and understandability of the reporting of these arrangements. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*.

- New standard IFRS 12 *Disclosure of Interests in Other Entities*

  Combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

- New standard IFRS 13 *Fair Value Measurement*

  Defines fair value and sets out a framework for measuring fair value and disclosures about fair value measurements. It applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards could have on future financial statements, although none of these are expected to have a material effect on the financial statements of the Company.

4. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2012	December 31, 2011
Cash	FVTPL	**$ 307,857**	$ 1,317,419
Restricted cash	FVTPL	**751,468**	-
Receivables	Loans and Receivables	**37,098**	17,309
Trade and other payables	Other liabilities	**(213,801)**	(43,141)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, restricted cash, receivables, and trade and other payables approximate their fair value due to their short-term nature.

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk
Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash, receivables, and balances receivable from the government. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs.

Liquidity Risk
Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next sixty days.

4. Financial Instruments and Risk Management *(continued)*

Risk management *(continued)*

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and short-term investments and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk: The Company has identified its functional currency as the Canadian dollar. Transactions are transacted in Canadian dollars, US dollars, and to a lesser extent, Australian dollars. The Company maintains US dollar bank accounts in Canada to support the cash needs of its US foreign operation. Management believes the foreign exchange risk related to currency conversions are minimal and therefore, does not hedge its foreign exchange risk.

Based upon the net foreign currency exposures and assuming that all other variables remain constant, a 1% increase or decrease in the Canadian dollar against both the US dollar and Australian dollar would result in a nominal decrease or increase in the reported loss.

(c) Commodity Price Risk: While the value of the Company's mineral resource properties are related to the price of gold and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities. Historically, the price of gold has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

5. Cash

	As at December 31, 2012	As at December 31, 2011
Canadian dollar denominated deposits held in Canada	**$ 305,304**	$ 1,294,280
US dollar denominated deposits held in Canada	**2,553**	23,139
Total	**$ 307,857**	$ 1,317,419

6. Receivables

	As at December 31, 2012	As at December 31, 2011
Amounts due from the Government of Canada pursuant to HST input tax credits	**$ 34,913**	$ 6,657
Accrued interest receivable	**2,185**	10,652
Total	**$ 37,098**	$ 17,309

7. Exploration and Evaluation Assets

Uncle Sam Property, United States

On December 15, 2010, Millrock Resources Inc. and Millrock Alaska LLC ("Millrock") entered into an option agreement (the "Agreement"), subsequently amended, with the Company, whereby the Company was granted an option to purchase an undivided 100% interest in and to Millrock's right, title and interest in the Uncle Sam property (the "Property") subject to the underlying Millrock Option Agreement. The Millrock Option Agreement gives Millrock the option to purchase 100% of the right, title and interest in and to the Property, subject to 2% net smelter return royalty ("NSR"), pursuant to an option agreement with and among Geoinformatics Alaska Exploration Inc., an affiliate of Kiska Metals Corporation. The 2% NSR is held by International Royalty Corporation.

On November 20, 2012, the Company completed the purchase of the Property by fulfilling the exploration expenditure requirement of US$2,500,000; by making the required cash payments to Millrock; and by making the required cash payments to satisfy the underlying Millrock Option Agreement. The Company also issued the required 1,500,000 and 2,600,000 common shares to Millrock during fiscal 2012 (Note 11(b)).

The continuity of exploration and evaluation assets is as follows:

	Uncle Sam Property	Total
Acquisition Costs		
At December 31, 2010	$ 25,075	$ 25,075
Assets acquired for cash	254,102	254,102
Assets acquired by issuance of common shares	588,483	588,483
At December 31, 2011	867,660	867,660
Assets acquired for cash	147,097	147,097
Assets acquired by issuance of common shares: Note 11(b)	224,000	224,000
At December 31, 2012	**$ 1,238,757**	**$ 1,238,757**

7. Exploration and Evaluation Assets *(continued)*

The details of exploration and evaluation expenditures charged to operations during the years ended December 31, 2012, and 2011, are as follows:

	Year ended December 31,	
	2012	2011
Uncle Sam Property, United States		
Drilling	**$ -**	$ 507,972
Environmental and permitting	**50**	1,994
External relations	**-**	676
Geochemistry	**1,125**	166,551
Geology	**4,621**	304,256
Management fees to Millrock	**10,255**	214,607
Property holding costs	**42,274**	62,254
Support and equipment	**105,160**	1,044,214
	$ 163,485	$ 2,302,524

8. Equipment

	Furniture and equipment	Field equipment	Total
Cost			
At December 31, 2010	$ 4,846	$ 10,400	$ 15,246
Assets acquired	2,033	-	2,033
At December 31, 2011	6,879	10,400	17,279
Assets acquired	-	-	-
At December 31, 2012	$ 6,879	$ 10,400	$ 17,279
Accumulated depreciation			
At December 31, 2010	$ 3,634	$ 10,400	$ 14,034
Depreciation for the year	1,173	-	1,173
At December 31, 2011	4,807	10,400	15,207
Depreciation for the year	649	-	649
At December 31, 2012	$ 5,456	$ 10,400	$ 15,856
Carrying amounts			
At December 31, 2011	$ 2,072	$ -	$ 2,072
At December 31, 2012	**$ 1,423**	**$ -**	**$ 1,423**

9. Trade and Other Payables

		As at December 31, 2012		As at December 31, 2011
Trade and other payables	**$**	**171,696**	$	5,642
Amounts payable to related parties		**7,105**		2,499
Accrued liabilities		**35,000**		35,000
Total	**$**	**213,801**	$	43,141

10. Promissory Notes

In 2010, a company controlled by a director and officer of the Company, loaned the Company $100,000 at an interest rate of 8% per annum on two unsecured promissory notes denominated in Canadian dollars payable on demand. As additional consideration to the lender, at December 31, 2010, the Company recorded an obligation to issue 100,000 common shares valued at $20,000, which reduced the face value of the promissory notes, and amortized this additional interest expense over the period in which the promissory notes were outstanding.

As at December 31, 2011, the remaining $1,857 unamortized amount was recorded as an increase in the face value of the promissory notes and was recorded as interest expense in the year ended December 31, 2011, along with the simple interest at 8% of $154 for a total interest expense in the year then ended of $2,011.

11. Share Capital and Reserves

a) *Authorized share capital*

An unlimited number of common shares without par value.

b) *Issued share capital*

At December 31, 2012, the issued share capital is comprised of 31,691,872 common shares (December 31, 2011 – 27,591,872).

Issued in the year ended December 31, 2012:

On January 6, 2012, the Company issued 1,500,000 common shares valued at $120,000 to Millrock pursuant to the underlying Uncle Sam Option Agreement disclosed in Note 7.

On November 23, 2012, the Company issued 2,600,000 common shares valued at $104,000 to Millrock pursuant to the underlying Uncle Sam Option Agreement disclosed in Note 7.

On September 10, 2012, the Company announced a merger implementation deed with Coventry Resources Ltd. (“Coventry”). Concurrent with this transaction, the Company raised $750,000 by way of a non-brokered private placement of subscription receipts, with the proceeds to be held in escrow pending the completion of the transaction.

As at December 31, 2012, the Company had received $750,000 pursuant to this private placement, and earned $1,468 in interest, which is reported in restricted cash. See Note 19.

11. Share Capital and Reserves *(continued)*

b) Issued share capital (continued)

Issued in the year ended December 31, 2011:

On January 6, 2011, the Company completed a non-brokered private placement financing consisting of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit comprised one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a purchase price of $0.35 per share until January 6, 2012. The Company had received $220,000 of these proceeds as at December 31, 2010, and recorded those proceeds as share subscriptions at that time.

On January 6, 2011, the Company issued 100,000 common shares valued at $20,000 to a company controlled by a Director pursuant to the terms of the underlying promissory notes (Note 10) and the obligation to issue common shares at December 31, 2010.

On January 6, 2011, the Company issued 1,583,281 common shares valued at $522,483 to Millrock pursuant to the underlying Uncle Sam Option Agreement disclosed in Note 7.

On January 6, 2011, the Company issued 200,000 common shares valued at $66,000 to a finder pursuant to the terms of the underlying agreement whereby the finder introduced the Company to Millrock.

On March 30, 2011, the Company completed a non-brokered private placement financing consisting of 10,000,000 units at a price of $0.35 per unit for gross proceeds of $3,500,000. Each unit comprised one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a purchase price of $0.50 per share until March 30, 2013. Cash share issue costs for this private placement amounted to $129,610, along with the fair value of 314,382 warrants issued as finders' fees, with the same terms as the private placement, amounting to $97,711, for total share issue costs of $227,321. The fair value of the finders' fee warrants was calculated using the Black-Scholes option pricing model with the following assumptions: two year expected life, 221% annualized volatility, zero expected dividend yield and 1.72% risk free interest rate. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the warrants.

c) Share purchase warrants

The continuity of share purchase warrants for the year ended December 31, 2012, is as follows:

Expiry date	Exercise price	Balance, December 31, 2011	Issued	Exercised	Expired	**Balance, December 31, 2012**
January 6, 2012	$ 0.35	2,500,000	-	-	(2,500,000)	**-**
March 30, 2013	$ 0.50	5,314,380	-	-	-	**5,314,380**
		7,814,380	-	-	(2,500,000)	**5,314,380**
Weighted average exercise price		$ 0.45	$ -	$ -	$ 0.35	**$ 0.50**

The weighted average remaining contractual life of the warrants outstanding as at December 31, 2012 is 0.24 years.

11. Share Capital and Reserves *(continued)*

c) *Share purchase warrants (continued)*

The continuity of share purchase warrants for the year ended December 31, 2011, is as follows:

Expiry date	Exercise price	Balance, December 31, 2010	Issued	Exercised	Expired	Balance, December 31, 2011
January 13, 2011	$ 1.40	469,750	-	-	(469,750)	-
October 15, 2011	$ 0.80	900,000	-	-	(900,000)	-
October 22, 2011	$ 0.80	350,000	-	-	(350,000)	-
January 6, 2012	$ 0.35	-	2,500,000	-	-	2,500,000
March 30, 2013	$ 0.50	-	5,314,380	-	-	5,314,380
		1,719,750	7,814,380	-	(1,719,750)	7,814,380
Weighted average exercise price		$ 0.96	$ 0.45	$ -	$ 0.96	$ 0.45

d) *Stock options*

The Company has a shareholder approved “rolling” stock option plan (the “Plan”) in compliance with the TSX-V’s policies. Under the Plan the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of granting. The exercise price of each stock option shall not be less than the market price of the Company’s stock at the date of grant. Options can have a maximum term of ten years and typically terminate 90 days following the termination of the optionee’s employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The continuity of stock options for the year ended December 31, 2012, is as follows:

Expiry date	Exercise price	Balance, December 31, 2011	Granted	Exercised	Expired / Cancelled	**Balance, December 31, 2012**
February 21, 2012	$ 2.20	187,500	-	-	(187,500)	**-**
September 9, 2012	$ 1.68	50,000	-	-	(50,000)	**-**
January 13, 2013	$ 1.12	25,000	-	-	-	**25,000**
September 10, 2014	$ 1.00	98,750	-	-	-	**98,750**
October 16, 2014	$ 1.00	25,000	-	-	-	**25,000**
January 7, 2015	$ 0.80	146,250	-	-	-	**146,250**
January 31, 2016	$ 0.37	1,000,000	-	-	-	**1,000,000**
May 3, 2016	$ 0.355	250,000	-	-	(250,000)	**-**
		1,782,500	-	-	(487,500)	**1,295,000**
Weighted average exercise price		$ 0.69	$ -	$ -	$ 1.20	**$ 0.49**

As at December 31, 2012, all of the outstanding stock options were exercisable. The weighted average remaining contractual life of the stock options outstanding as at December 31, 2012 is 2.77 years.

11. Share Capital *(continued)*

d) Stock options *(continued)*

The continuity of stock options for the year ended December 31, 2011, is as follows:

Expiry date	Exercise price	Balance, December 31, 2010	Granted	Exercised	Expired	Balance, December 31, 2011
May 23, 2011	$ 2.20	3,750	-	-	(3,750)	-
February 21, 2012	$ 2.20	187,500	-	-	-	187,500
September 9, 2012	$ 1.68	50,000	-	-	-	50,000
January 13, 2013	$ 1.12	25,000	-	-	-	25,000
September 10, 2014	$ 1.00	98,750	-	-	-	98,750
October 16, 2014	$ 1.00	25,000	-	-	-	25,000
January 7, 2015	$ 0.80	146,250	-	-	-	146,250
January 31, 2016	$ 0.37	-	1,000,000	-	-	1,000,000
May 3, 2016	$ 0.355	-	250,000	-	-	250,000
		536,250	1,250,000	-	(3,750)	1,782,500
Weighted average exercise price		$ 1.44	$ 0.37	$ -	$ 2.20	$ 0.69

e) Share-based compensation

Recorded in the year ended December 31, 2012:

There were no option grants during the year ended December 31, 2012. During the year ended December 31, 2012, the Company recorded share-based compensation expense of $2,646 for the continued vesting of stock options granted on May 3, 2011.

Recorded in the year ended December 31, 2011:

On January 31, 2011, the Company granted 1,000,000 stock options with a total grant-date fair value of $358,169 or $0.36 per option, all of which has been recognized in expense at December 31, 2011. The grant-date fair value of this option grant was calculated using the Black-Scholes option pricing model with the following assumptions: five year expected life, 190% annualized volatility, zero expected dividend yield and 2.24% risk free interest rate. These stock options all vested immediately. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

On May 3, 2011, the Company granted 250,000 stock options with a total grant-date fair value of $85,884 or $0.34 per option. Share-based compensation for the vesting portion of the stock options was $83,238 which was recognized in profit or loss, while the balance will be recognized as the options continue to vest. The grant-date fair value of this option grant was calculated using the Black-Scholes option pricing model with the following assumptions: five year expected life, 189% annualized volatility, zero expected dividend yield and 2.26% risk free interest rate. These stock options vest as to 25% immediately, and 25% in each of the three, six, and nine months following the grant date. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

12. Related Parties

a) The Company's related parties consist of companies with directors and officers in common and companies owned in whole or in part by executive officers and directors as follows:

Name	**Nature of transactions**
524124 BC Ltd.	Consulting as CEO, and holder of promissory notes
Golden Oak Corporate Services Limited	Consulting as CFO, corporate compliance, and financial reporting; reimbursed office expenses
Sunridge Gold Corp.	Rent – shared office

The Company incurred the following fees and expenses in the normal course of operations in connection with individuals and companies owned by key management and directors.

	Year ended December 31,			
		2012		2011
Consulting fees	**$**	**187,103**	$	192,190
Interest expense on promissory notes		**-**		2,011
Rent – shared office and allocated office expenses		**27,450**		6,908
Total	**$**	**214,553**	$	201,109

b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel, which include the amounts disclosed in Note 12(a), during the years ended December 31, 2012, and 2011 was as follows:

	Year ended December 31,			
		2012		2011
Consulting fees	**$**	**187,103**	$	192,190
Directors fees		**9,000**		9,000
Share-based compensation		**-**		322,352
Total	**$**	**196,103**	$	523,542

13. Segmented Information

The Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and development.

With the exception of its exploration and evaluation assets which are held in the United States, all of the Company's other significant assets are held in Canada.

14. Management of Capital

The Company manages common shares, stock options, and share purchase warrants as capital (see Note 11). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an on demand, interest bearing Canadian chartered bank account. Cash consist of cash on hand and balances with banks and investments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2012. The Company is not subject to externally imposed capital requirements.

15. Supplemental Disclosure with Respect to Cash Flows

	For the year ended December 31,	
	2012	2011
Non-cash investing and financing activities:		
Share subscriptions received against a non-brokered private placement financing	**$ -**	$ 220,000
Fair value of shares issued for exploration and evaluation assets	**224,000**	522,483
Fair value of shares issued for finders' fees	**-**	66,000
Fair value of shares issued for obligations under agreements for promissory notes	**-**	20,000
Fair value of warrants issued for finders' fees	**-**	97,711
Cash paid during the year for:		
Accretion of interest	**-**	1,857
Income taxes	**-**	-

16. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2012		2011
Loss before income taxes	$	**(1,016,631)**	$	(3,040,953)
Expected income tax (recovery)	$	**(254,000)**	$	(987,000)
Change in statutory, foreign tax, foreign exchange rates, and other		**(41,000)**		117,000
Permanent differences		**3,000**		675,000
Share issue costs		**-**		(11,000)
Change in unrecognized deductable temporary differences		**292,000**		206,000
Deferred income tax expense (recovery)	$	**-**	$	-

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's unrecognized deferred tax assets are as follows:

		2012		2011
Deferred tax assets				
Equipment	**$**	**4,000**	$	4,000
Exploration and evaluation assets		**1,745,000**		1,760,000
Share issue costs		**24,000**		34,000
Non-capital losses		**1,843,000**		1,526,000
Net deferred tax assets	**$**	**3,616,000**	$	3,324,000

The significant components of the Company's unrecognized deductable temporary differences and tax losses are as follows:

		2012	Expiry Date Range
Temporary differences			
Exploration and evaluation assets	**$**	**6,028,000**	*No expiry date*
Equipment		**15,000**	*No expiry date*
Share issue costs		**94,000**	*2033-2036*
Allowable capital losses		**-**	*No expiry date*
Non-capital losses available for future periods		**6,855,000**	*2014-2032*
Non-capital losses available for future periods by country			
Canada	$	5,520,000	*2014-2032*
USA		1,335,000	*2020-2032*

Tax attributes are subject to review, and potential adjustments by tax authorities.

17. Commitments

In October, 2012, the Company entered into an agreement with Peroni Sosa Tellechea Burt & Narvaja of Paraguay ("PSTBN") whereby PSTBN would act as counsel for the Company in the matter of the arbitration of the Copami SA ("Copami") drilling contract dispute (Note 18). Under the terms of this agreement, the Company agreed to pay total legal fees of US$150,000 plus 10% VAT to PSTBN in accordance with the advancement of the arbitration over a time period extending into 2013. The Company has paid to PSTBN one-half of the fees as at December 31, 2012, amounting to US$75,000 plus VAT of US$7,500. The remaining amount of the legal fees of US$75,000 plus 10% VAT will be paid to PSTBN as and when the arbitration proceedings advance. In addition, PSTBN has estimated further administrative fees and out-of-pocket costs payable of approximately US$15,000 payable as and when they are required to be paid in Paraguay.

18. Contingent Liability

The Company entered into an option agreement with Coronel Oviedo Mining Company SA dated April 16, 2007, whereby the Company had an option to earn up to a 70% interest in the Oviedo project. A Paraguayan company, Semin SA ("Semin"), was retained to manage the exploration program on the Oviedo project. On June 15, 2007, Semin entered into a drill contract (the "Oviedo Drill Contract") with a drilling company, Copami, with respect to exploration drilling to be conducted by Copami on the Oviedo project. The Company guaranteed the obligations of Semin under the Oviedo Drill Contract. Copami's performance under the Oviedo Drill Contract was considered not acceptable and, after Semin provided notice to Copami that Copami was not properly performing its obligations under the Oviedo Drill Contract, Semin terminated the Oviedo Drill Contract. The Company had heard nothing on this matter since late 2008; however, in May 2011, it was requested to attend a mediation meeting in Paraguay to discuss Copami's claim for payment under the Oviedo Drill Contract. The mediation meeting did not proceed. The Company heard nothing further on this matter until October 4, 2012, when it was informed that Copami has initiated arbitration proceedings at the Paraguay Center for Arbitration and Mediation, in which both the Company and Semin have been named as defendant parties in a breach of contract claim for US$1,505,782. The Company considers the claim to be completely without merit and intends to vigorously defend its position and the outcome of the arbitration is not determinable.

19. Subsequent Events

a) Crescent Resources Corp. ("Crescent") completed a merger (the "Transaction") with Coventry Resources Limited ("Coventry") on January 8, 2013. Crescent changed its name to Coventry Resources Inc. (the "Company"). The common shares of Coventry Resources Inc. commenced trading on the TSX-V under the symbol "CYY" at the opening of trading on January 9, 2013, at which time the common shares of Crescent Resources Corp. trading under the symbol "CRC" were delisted. Chess Depositary Interests ("CDI's") of the Company commenced trading on the Australian Securities Exchange ("ASX") on January 9, 2013 under the symbol CYY.

   Immediately prior to the completion of the Transaction, the Company completed a consolidation of its common shares on a 5:1 basis, in which five old Company shares were exchanged for one new Company share (the "Consolidation"). Concurrent with the closing of the Transaction, 15,186,000 subscription receipts were converted into 3,037,200 post-Consolidation shares and the restricted cash of $750,000 and accrued interest was released to the Company from escrow.

19. Subsequent Events *(continued)*

	Shares outstanding	Share purchase warrants	Incentive stock options	Quasi stock options
		Post-consolidation 5:1		
December 31, 2012	6,338,307	1,062,872	259,000	-
Option expiry	-	-	(5,000)	-
Transaction [(a)]	60,375,791	-	3,687,006	7,347,048
Obligation to issue shares pursuant to an agreement [(a)]	400,000	-	-	-
Subscription receipts [(a)]	3,037,200	-	-	-
January 8, 2013	70,151,298	1,062,872	3,941,006	7,347,048
Mineral property acquisition [(b)]	1,935,010	-	-	-
Option expiry	-	-	-	(2,764,293)
Public offering [(c)]	5,624,984	-	-	-
March 21, 2013	77,711,292	1,062,872	3,941,006	4,582,755

The Transaction constituted a “reverse-take-over” as the shareholders of Coventry took control of Crescent. The Company issued 60,375,791 shares to Coventry shareholders on the basis of 0.2513 “post-Consolidation” shares of Crescent for each share of Coventry held resulting in Coventry becoming a wholly-owned subsidiary of the Company and Coventry shareholders owning approximately 87.2% of the issued and outstanding shares of the Company. Legally, Crescent is the parent company of Coventry; however, because the former Coventry shareholders gained control of Crescent, for accounting purposes Coventry is the accounting Acquirer and Crescent is the accounting Acquiree. The consolidated financial statements of the combined entity will represent the continuation of Coventry and the Transaction is accounted for as a share based payment by which Coventry acquired the net assets and listing status of Crescent.

The Company issued 400,000 common shares valued at $0.25 per share to a financial advisor for services performed

Pursuant to the acquisition method, the assets and liabilities of the Acquiree are recognized and measured at their fair value, on the purchase date. Consideration consisted entirely of shares and options of the Company which were measured at the fair value of the shares and options that Coventry would have been required to issue to Crescent`s shareholders had the Transaction been structured as a legal acquisition of Crescent by Coventry. The fair value of these shares and options deemed to have been issued was $1,470,739 and $19,965, respectively.

In addition, outstanding options of Coventry were exchanged for new options of the Company, adjusted in accordance with their terms such that the number of shares of the Company received upon exercise and the exercise price reflected the 0.2513 exchange ratio described above.

Crescent incurred costs relating to the Transaction of $436,587 which amount was expensed in the year ended December 31, 2012.

19. Subsequent Events *(continued)*

b) On January 15, 2013, the Company completed the acquisition of 100% of the West Cedartree Gold Project, Ontario, by the issue of 1,935,010 common shares and a final cash payment of $400,000.

c) On February 22, 2013, the Company completed a public offering by the issue of 18,750,000 units (the “Units”) at a price of C$0.32 per Unit (A$0.305 per Unit) for gross proceeds of $6,000,000. In Canada, each Unit consists of 0.3 of one common share of the Company (each whole common share a “Common Share”), plus one subscription receipt of the Company (“Subscription Receipt”). In Australia, each Unit consists of 0.3 of one fully paid CDI, plus one Subscription Receipt of the Company. On closing 5,624,984 common shares and 13,125,000 Subscription Receipts were issued. Each whole Subscription Receipt will automatically be converted, without payment of any additional consideration, into 0.7 of one Common Share of the Company and 0.5 of one common share purchase warrant (each whole common share purchase warrant a “Warrant”) in Canada, or 0.7 of one CDI of the Company and 0.5 of one Warrant in Australia, subject to the approval of the Company’s shareholders at a meeting expected to be held on April 30, 2013 (the “Release Condition”). Each whole Warrant is exercisable into either one Common Share of the Company in Canada, or one CDI of the Company in Australia, for a period of 18 months at an exercise price of C$0.45 per Common Share (A$0.43 per CDI).

   Seventy percent of the gross proceeds of the offering (C$4.2 million, or A$4.0 million), being the portion of the gross proceeds of the Units that is allocated to the Subscription Receipts, have been deposited into escrow, to be released upon satisfaction of the Release Condition. In the event that the Release Condition is not satisfied by June 22, 2013, the escrowed proceeds will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be automatically cancelled.